

Quarter Three 2007 Report to the Oregon Public Utility Commission

July 1, 2007, through September 30, 2007

This Energy Trust quarterly report covers the period July 1, 2007, through September 30, 2007, the third quarter of the year (Q3). The report addresses progress toward 2007 and 2012 energy saving and renewable energy generation goals and includes corresponding revenue and expenditure information. The number of completed projects and incentives paid during the quarter are included, along with other quarterly activity highlights.

I. QUARTERLY HIGHLIGHTS

I. General

- Electric savings in the third quarter represent approximately 57% of the 2007 conservative electric goal. Since our 2002 inception, programs have cumulatively saved 145.33 average megawatts of electricity. When savings from self-directed industrial projects are added, the total represents 55% of the 300 aMW Energy Trust 2012 goal.
- Forecasts for year-end show that energy efficiency electric savings are expected to exceed both the best case and conservative goals.
- Approximately 30% of the 2007 conservative gas goal was reached during the third quarter. Since inception, gas efficiency programs have saved 5,587,698 annual therms of natural gas, representing 29% of Energy Trust 2012 goal of 19 million annual therms.
- Energy efficiency annual gas therm savings are projected to exceed conservative year end goals by approximately 24% but continue to be below best case goals.
- Based on current forecasts, incentive spending is expected to be 89% of budget at year end. Most of the variance is in the Production Efficiency and Existing Homes programs. However, both programs are expected to exceed their best case electric and gas savings goals for the year, acquiring more savings for fewer dollars.
- Overall electric efficiency expenditures for the quarter were 11% below budget, a variance that falls within normal limits. Projects completed during the quarter are expected to save ~14 average megawatts at an estimated cost of 1.3¢ per kilowatt hour, well below the 2.0¢ per kilowatt hour OPUC performance measure.
- Gas expenditures for the third quarter were 1% over budget. Projects completed during the quarter are expected to save 538,442 annual therms at a year-to-date levelized cost of 34.6¢ per therm, below the 40¢/annual therm OPUC performance measure.
- Renewable energy programs are progressing well. The year-end forecast reflects the acquisition of 77.3 aMW, representing over 50% of the 150 aMW 2012 goal for direct Energy Trust renewable energy generation.
- Public purpose revenues were \$13,836,205 for the quarter; \$849,750 (6.5%) more than budgeted. Total quarterly expenditures were \$13,809,917, 12.8% below budget.

2. Residential efficiency programs

- The number of existing homes served in Q3 fell slightly from the Q2 pace while remaining significantly higher than in Q1. Energy efficient measures such as sealed ducts, insulation, high efficiency space heating equipment and energy efficient windows were installed in 2,534 single family homes, 681 multifamily units and 220 manufactured homes. Of these, 1,195 homes

received electric efficiency measures and 2,068 received gas efficiency measures, with 172 sites saving both gas and electricity.

- Energy Trust incentives helped fund the construction of over 242 efficient new homes, 17% less than in Q2, reflecting the downturn in housing starts. Of these, 7 have electricity-saving measures, 13 have gas-saving measures, and 222 have both electricity- and gas-saving measures. Incentives helped purchase 50 electrically-heated and 3 gas-heated new efficient manufactured homes.
- During the third quarter Energy Trust incentives helped fund the purchase of 4,235 energy efficient clothes washers, a slight decrease from Q2. The washers were installed in 1,822 homes with electric hot water and 2,413 homes with gas hot water.
- Solar water heating systems were installed in 49 homes with electric hot water—more than double the Q2 number—and in 25 homes with gas hot water.
- Marketing and outreach in Q3 2007 triggered a dramatic jump in multifamily program commitments. Over \$1 million in incentives was committed for multifamily projects, most of which will close in Q4 of 2007.
- The Existing Homes program saw an increase of 122% in incentives paid compared to Q3 2006. Gas savings booked in Q3 2007 were 167% of the therms booked in Q3 of 2006.
- The call center received a total of 5,621 calls in Q3.
- The ENERGY STAR® New Homes program collaborated with the Northwest Energy Efficiency Alliance (NEEA) to develop a consistent regional method to measure new homes built and the market penetration rates of ENERGY STAR new homes.
- The ENERGY STAR Products program launched the fall CFL promotion *Change a Light; Change the World* in retail stores. The program also supported a Wal-Mart CFL promotion, distributing ENERGY STAR materials and discussing benefits of CFLs with customers.
- The ENERGY STAR Products program solicited participation in the *Change a Light* CFL fundraiser and the Solar 4R Schools contest by over 19,000 educators and advocacy groups. The Solar 4R Schools contest will give a solar panel to the school that sells the largest number of CFLs through the Change a Light fundraising program.
- The NEEA residential program met with Energy Trust, Earth Advantage and ODOE to discuss 2009 ENERGY STAR Homes specifications resulting from the spring 2008 residential code change.

3. Commercial efficiency programs

- During the third quarter, high efficiency measures, including energy efficient lights and HVAC equipment, were installed in 467 commercial buildings, a 50% increase over Q3 2006. The average incentive payment per site was \$1,228. Of the total, 334 buildings received electric efficiency measures, 124 buildings received gas efficiency measures, and 9 buildings saved both gas and electricity. Solar water heating systems were installed at 3 commercial sites.
- A total of 71 highly efficient new commercial buildings were completed this quarter, almost a 50% increase over Q2 and well over the record 51 completions in Q3 of 2006. The average incentive payment per site was \$11,907. The added volume reflects an extra effort to close projects during the summer months to make way for year-end activities associated with program changes and meeting annual goals.
- A field trial of new light-emitting diode (LED) bathroom nightlights was begun at a local hotel. The results will be ready in Q4 and will be shared with the NW Power and Conservation Council Regional Technical Forum.
- Through BetterBricks, Legacy hospital staff finalized its Strategic Resource Management Plan (SRMP). Energy Trust is completing building energy assessments for the four Oregon campuses.

Energy Trust efforts complement BetterBricks' scoping of Operations and Maintenance and tune-up opportunities.

- Presentations of the Building Owners and Managers Association Energy Efficiency Program (BEEP) series have been completed for 2007. Attendance was very strong at all presentations.
- The 80 PLUS program, an efficiency specification for consumer electronics products, was responsible for 1,150 qualifying units being shipped into Energy Trust territory in Q3.

4. Industrial efficiency programs

- Electric energy-saving projects were completed at 62 manufacturing firms, a 41% increase over Q2 completions. The average incentive payment per site was approximately \$51,000.
- SP Newsprint received a \$1,000,000 incentive for completion of their de-inking mega project, expected to save over 55 million kWh annually.
- Two Energy Trust staff joined the Production Efficiency program, acting upon the board's decision to bring the program in-house: an industrial technical manager and industrial sector coordinator.
- Selection of a program delivery contractor for the small industrial initiative will be complete by early November.
- Sabroso Woodburn's five energy teams began implementing what they term "lean" manufacturing, requiring each team to identify energy-saving projects for specific plant systems.
- The *Blue Heron* EnVinta One-2-Five report and recommendations, using a diagnostic tool for managing energy costs and systems, were presented to the Blue Heron management team. Energy Trust staff actively participated in the meeting to support ongoing comprehensive energy management planning at the mill.

5. Renewable energy programs

- Another record-high 63 residential solar electric systems were installed in this quarter, topping previous records of 37 and 43 installations in Q1 '07 and Q2 '07, respectively. In addition, solar electric systems were installed on 11 commercial buildings during the quarter.
- The Biopower program staff spoke at the annual meeting of Oregon Association of Clean Water Agencies (ACWA) in Bend and hosted a similar workshop on energy projects in Portland.
- The Biopower program staff reviewed and declined to fund a black liquor generation project with no above-market costs, and began review of a dairy digester project. The program initiated feasibility studies with Boise White Paper, Stimson Lumber, Oregon Cherry Growers and Stahlbush Island Farms.
- As part of the Open Solicitation program outreach to communities, Energy Trust met with 12 cities and agencies to discuss potential solar and hydro projects.
- The Renewable Energy Advisory Council approved funding for a 4.4 kW microhydro project, the first residential hydropower project to receive Energy Trust assistance.
- The Multnomah County 1 MW solar RFP was released in September. More than 20 firms attended the pre-bid conference.
- The Solar Electric program increased the incentive cap for commercial solar electric systems, launched a new nonprofit/government incentive and began offering incentives for third-party-owned systems. These changes will leverage national interest in Oregon's commercial solar electric market generated by the 50% Business Energy Tax Credit and is expected to encourage solar on high visibility municipal buildings.
- A market research firm, Smart Power, conducted surveys and focus groups of homeowners who installed or are considering installing solar electric or solar water heating systems. Results and recommendations for messaging and outreach strategy will be presented in October.

- The second annual NW Solar Expo was a success, with double the attendance of 2006.
- Energy Trust presented an award to the nonprofit organization Solar Oregon for delivering effective solar educational workshops to residential consumers throughout 2007, tripling the reach of Energy Trust’s outreach efforts in previous years.
- Construction continued on PGE’s 125 MW Biglow Canyon Wind Project and Pacific Power’s 94 MW GoodNoe Hills Wind Project, with both projects slated for completion by year-end.
- Pacific Power informed Energy Trust they will not be submitting a second utility scale wind project for 2007 for funding from the Energy Trust.
- The Wind program met with Hood River County High School to discuss a small wind demonstration project to be located at the school. The program provided wind resource feasibility studies for a family farm in Umatilla County and funds for a re-assessment for the Sherman County-Gordon Ridge Wind Farm.

6. Revenues and expenditures

- \$13,836,205 in public purpose funds were received during the quarter, with expenditures at \$13,809,917.
- A total of \$7,393,227 in incentives was paid.

7. OPUC performance measures

- Performance against the following 2007 Performance Measures will be reported in the Energy Trust 2007 annual report.

| Category | Measures |
|--|---|
| Energy Efficiency | At least 20 aMW computed on 3-year rolling average Levelized cost of not more than two cents per kWh |
| Natural Gas | 700,000 therms computed on 3-year rolling average Levelized cost of not more than 40 cents per annual therm* |
| Renewable Energy | At least 15aMW At least 9 aMW from projects in utility Integrated Resource Plans At least 3 aMW from a variety of small-scale projects Both computed on 3-year rolling average |
| Financial Integrity | Unqualified financial audit |
| Administrative & Program Support Costs | Keep below 11% of revenues |
| Customer Satisfaction | Demonstrate reasonable customer satisfaction rates through program evaluation customer surveys; report complaint statistics |
| Benefit/Cost Ratios | Compare to ratios from 2006 reported in #8 below |

8. Benefit-cost ratios for 2006 (year-end data)

| Program | Utility system benefit-cost ratio | Societal benefit-cost ratio |
|----------------------------------|-----------------------------------|-----------------------------|
| 1. Existing Homes | 2.3 | 1.2 |
| 2. New Homes and Products | 2.4 | 2 |
| 3. Existing Buildings | 3.6 | 1.5 |
| 4. New Buildings | 5.1 | 2.5 |
| 5. Production Efficiency | 2.6 | 1.3 |
| 6. NW Energy Efficiency Alliance | 9 | 3.3 |

*On March 27, 2007, the OPUC approved a new Energy Trust performance measure for natural gas savings acquisition, increasing the levelized cost per therm from 30 to 40 cents. This new measure will apply to all gas savings acquired for the calendar year 2007.

II. TABLES

I. Revenues

| Source | Actual revenues received Q3 | Budgeted revenues Q3 |
|-------------------------------|-----------------------------|----------------------|
| Portland General Electric | \$7,959,768 | \$6,917,533 |
| Pacific Power | \$4,750,972 | \$4,835,324 |
| NW Natural | \$1,008,060 | \$1,065,843 |
| Cascade Natural Gas | \$78,194 | \$84,355 |
| Avista | \$39,211 | \$83,400 |
| Conservation Rate Credit, PGE | \$0 | \$550,000 |
| Conservation Rate Credit, PAC | \$0 | \$400,000 |
| Total | \$13,836,205 | \$13,936,456 |

2. Expenditures

| Type | Actual Expenditures Q3 | Budgeted Expenditures Q3 |
|----------------------------|------------------------|--------------------------|
| Energy Efficiency programs | \$12,193,346 | \$13,474,115 |
| Renewable Energy programs | \$1,021,948 | \$1,631,873 |
| Administration | \$594,623 | \$723,118 |
| Total | \$13,809,917 | \$15,829,106 |

3. Incentives Paid

| Quarter | Energy Efficiency | | | | Renewable Energy | | Total | |
|---------|-------------------|---------------|-------------|---------------------|------------------|-----------|-----------|---------------|
| | PGE | Pacific Power | NW Natural | Cascade Natural Gas | Avista | PGE | | Pacific Power |
| Q1 | \$712,751 | \$808,544 | \$548,707 | \$32,144 | \$6,181 | \$390,541 | \$182,368 | \$2,681,236 |
| Q2 | \$1,607,256 | \$1,252,064 | \$1,049,745 | \$60,097 | \$5,954 | \$150,549 | \$233,167 | \$4,358,832 |
| Q3 | \$3,920,122 | \$1,727,066 | \$1,170,782 | \$54,197 | \$9,099 | \$216,900 | \$295,061 | \$7,393,227 |
| Q4 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total | \$6,240,129 | \$3,787,674 | \$2,769,234 | \$146,438 | \$21,234 | \$757,990 | \$710,596 | \$14,433,295 |

4. Savings and Generation

Electric efficiency savings. In the third quarter of 2007, energy efficiency programs saved 13.95 average megawatts, representing 43% of the 2007 year-end best case goal of 32.77 average megawatts and 57% of the conservative case goal of 24.60 average megawatts. Since March 1, 2002, these programs have cumulatively saved 145.33 average megawatts. When savings from self-directed industrial projects are added, the total represents 55% of Energy Trust’s 2012 goal*

*Savings from self-directed efficiency projects also count toward the goal of achieving 300 aMW of savings by 2012. To date, 18.89 aMW of savings have been achieved by industrial customers via self-directed funding. Together, Energy Trust achievements and self-directed savings have achieved 6% of the 2012 goal.

| Electric Efficiency Savings Q3 2007 | PGE aMW | Pacific Power aMW | Total Savings aMW | Expenses | mil \$ / aMW | Levelized Cost/kWh |
|--|---------|-------------------------|-------------------------|------------|-----------------|-----------------------|
| Residential | 1.36 | 0.94 | 2.30 | 2,951,618 | \$1.28 | 1.60 ¢ |
| Commercial | 0.95 | 0.43 | 1.38 | 2,728,149 | \$1.98 | 2.00 ¢ |
| Industrial | 7.61 | 2.66 | 10.27 | 4,563,425 | \$0.44 | 0.90 ¢ |
| Total Energy Efficiency programs | 9.92 | 4.03 | 13.95 | 10,243,192 | \$0.73 | 1.30 ¢ |

Gas efficiency savings. In the third quarter of 2007, efficiency programs saved 538,442 annual therms of natural gas, representing 30% of the conservative goal 2007 goal of 1.8 million annual therms and 22% of the best case goal of 2.4 million annual therms. Since gas programs began in 2003, cumulative savings of 5.6 million annual therms have been realized, accounting for 27% of the current 2012 goal.

| Gas Efficiency Savings Q3 2007 | NWN Therms | Cascade Natural Gas | Avista | Total Savings Therms | Expenses | \$ / Therm | Levelized Cost/ Therm |
|-----------------------------------|---------------|---------------------------|--------|----------------------------|-----------|---------------|-----------------------------|
| Residential | 205,659 | 24,927 | 1,738 | 232,324 | 1,921,196 | \$8.27 | 45.20 ¢ |
| Commercial | 305,036 | 1,082 | 0 | 306,118 | 556,676 | \$1.82 | 18.70 ¢ |
| Industrial | 0 | 0 | 0 | 0 | 1,303 | n/a | 0.00 ¢ |
| Total Energy Efficiency Programs | 510,695 | 26,009 | 1,738 | 538,442 | 2,479,175 | \$4.60 | 34.60 ¢ |

Renewable energy generation. Renewable projects under construction in 2007 are expected to generate 77.3 average megawatts, representing 67% of Energy Trust’s conservative activity-based 2007 goal.

| Renewable Energy Generation Q3 2007 | PGE aMW | Pacific Power aMW | Total Generation aMW | Q3 2007 Expenses | mil \$ / aMW | Levelized Cost/kWh |
|--|------------|-------------------------|----------------------------|---------------------|-----------------|-----------------------|
| Biopower | 0.00 | 0.00 | 0.00 | 117,278 | n/a | n/a |
| Open Solicitation | 0.00 | 0.00 | 0.00 | 104,637 | n/a | n/a |
| Solar Electric Program | 0.01 | 0.03 | 0.04 | 671,836 | \$16.80 | 13.50 ¢ |
| Utility Scale | 0.00 | 0.00 | 0.00 | 62,918 | n/a | n/a |
| Wind Program | 0.00 | 0.00 | 0.00 | 130,881 | n/a | n/a |
| Total Renewable Programs | 0.01 | 0.03 | 0.04 | 1,087,550 | \$27.19 | 14.00 ¢ |

5. Projects completed this quarter

| | Total Sites | Sites by Type of Measure Installed | | |
|---|---------------|------------------------------------|--------------|--------------|
| | | Electric-only | Gas-only | Both |
| ENERGY EFFICIENCY SITES SERVED | | | | |
| Residential sites served | | | | |
| ENERGY STAR new homes constructed | 242 | 7 | 13 | 222 |
| ENERGY STAR new homes enhanced | 89 | 0 | 56 | 33 |
| Efficient new manufactured homes purchased | 53 | 50 | 2 | 1 |
| Home energy reviews conducted | 1,842 | 959 | 105 | 778 |
| Single family homes retrofitted | 2,534 | 563 | 1,863 | 108 |
| Manufactured homes retrofitted | 220 | 216 | 2 | 2 |
| Multifamily units retrofitted | 681 | 416 | 203 | 62 |
| New multifamily units enhanced | 0 | 0 | 0 | 0 |
| Residential solar water heating installations | 74 | 49 | 25 | 0 |
| ENERGY STAR clothes washer rebates | 4,235 | 1,822 | 262 | 2,151 |
| Refrigerator exchange pilot | 7 | 6 | 0 | 1 |
| CFL packages sold/provided | 74,451 | 74,451 | 0 | 0 |
| Commercial sites served | | | | |
| Existing buildings retrofitted | 467 | 334 | 124 | 9 |
| Efficient new buildings constructed | 71 | 23 | 17 | 31 |
| Solar water heating commercial installations | 3 | 2 | 1 | 0 |
| Industrial sites served | | | | |
| | 62 | 62 | 0 | 0 |
| TOTAL EFFICIENCY | 85,031 | 78,960 | 2,673 | 3,398 |
| RENEWABLE ENERGY INSTALLATIONS | | | | |
| Biopower project installations | 2 | 2 | 0 | 0 |
| Open solicitation project installations | 0 | 0 | 0 | 0 |
| Solar electric residential installations | 63 | 62 | 0 | 1 |
| Solar electric commercial installations | 11 | 11 | 0 | 0 |
| Utility scale project installations | 0 | 0 | 0 | 0 |
| Wind project installations | 0 | 0 | 0 | 0 |
| TOTAL RENEWABLES | 76 | 75 | 0 | 1 |

Table 5 and corresponding information in the narrative refer to numbers of efficiency and renewable energy projects. We define “projects” to be completed installations or services at one location (“site”), with certain exceptions:

- A Home Energy Review, with CFL installation, counts as one project. If that home subsequently installs one or more measures, this installation counts as a separate project.
- Each apartment unit treated counts as one project.
- Each manufactured home counts as one project.
- Measures installed in separate facilities within a large industrial complex count as separate projects.